

Science for Environment Policy

Cost-benefit-analysis use limited by lack of belief and fears of loss of influence

Reluctance to use cost-benefit analysis (CBA) in environmental decision making in Germany stems from a preference for traditional approaches and a fear that it leads to loss of influence. This is suggested by new research based on interviews with those responsible for water policy management.

CBA is used to produce evidence-based judgements on the estimated [economic](#) and social welfare costs and benefits of different projects, policies or actions. It is being increasingly used in policymaking, with the aim of making more rational, efficient and transparent decisions.

For example, the [Water Framework Directive](#)¹ (WFD) suggests a CBA be performed as part of a 'disproportionate cost assessments'. These are used to justify alternative objectives to the achievement of Good Ecological Status by 2015, such as extending a deadline in a heavily polluted area.

By placing monetary values on 'ecosystem services' – services such as recreation or water purification – CBA allows important social and human welfare costs and benefits to be included in environmental decision making. However, so far CBA has only had a limited influence on actual policymaking and evidence suggests there is reluctance among those involved in environmental policy to use CBA.

This study aimed to understand how the views of those responsible for water policy management influence the acceptance and use of CBA in water policy and implementation of the WFD in Germany.

Face-to-face interviews were conducted with 16 experts, all in public administration responsible for water management and implementation of the WFD. Interviewees were asked about their goals, interests, beliefs and perceptions of CBA's role in water policymaking. They also gave their views of the fundamental principles and traditions of water policymaking and any conflicts they saw arising from use of CBA.

There was a large degree of scepticism about how ecosystem services are valued, especially with regard to welfare economic valuations, leading individuals to question how relevant economic criteria were for setting environmental goals. For example, one interviewee asked "... is it the right approach to ask the population, how much is nature worth to you?"

Traditional environmental policymaking principles, concepts and assumptions considerably influenced interviewees. Established, traditional, procedures were seen as completely sufficient for decision making and judgements based on expert knowledge were generally thought superior to economic criteria and processes like CBA.

Importantly, interviewees generally perceived CBA to weaken their ability to influence decisions based on their own expertise. For example, one interviewee stated that: "...we have developed a sort of 'best practice', which also gives us a feeling of whether it is economically reasonable or not." In the context of identifying exemptions from an environmental objective using CBA, one interviewee stated "...and if you are not free to decide, what is regarded as an exemption, then you have a problem." As such, CBA was perceived as giving binary yes/no results and pre-determining decisions, rather than a tool for informing decisions.

The beliefs identified in this study will likely be difficult to change in the short term. The study's author states that emphasis should be placed on how best to integrate economic information into the policy process, and that increased co-operation between authorities and academia could help improve reasonable use of CBA.

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1. http://ec.europa.eu/environment/water/water-framework/index_en.htm